

DEPARTMENT OF JUSTICE
HB 31: Revisions to the New Motor Vehicle Warranties Act
(Montana's Lemon Law)

Background

The New Motor Vehicle Warranty Act, better known as the Lemon Law, helps resolve complaints from consumers who have bought a new vehicle that qualifies as a "lemon." When repeated attempts at repair have been unsuccessful, the law may require the manufacturer to replace, repair or buy back the defective vehicle.

Montana's Lemon Law covers vehicles purchased, titled or leased in Montana, provided they are less than two years old and have 18,000 miles or less on the odometer. This includes new motorcycles and trucks under 10,000 lbs. GVW.

When a car is found to be a lemon, the law requires the manufacturer (like Ford, Chevy and Toyota) – not the car dealer – to buy back the defective vehicle. If the manufacturer disagrees that a vehicle is defective, the dispute goes to arbitration. If the manufacturer does not have a private arbitrator provide this service, the Department of Justice is responsible for arranging it.

Increase fees to cover cost of Lemon Law arbitration

Most manufacturers opt to have private parties like the Better Business Bureau provide the required arbitration. In these private arbitrations, the consumer pays nothing.

When a manufacturer opts to use state arbitration, the manufacturer pays \$250 and the consumer pays \$50. These fees do not cover the typical cost to the department, which ranges from \$800-\$1200, a loss of \$500-\$900 per arbitration. HB 31 would raise the arbitration fees to \$750 for the manufacturer and \$100 for the consumer.

Increase weight limit for vehicles covered by the Lemon Law

The Lemon Law was intended to cover only non-business vehicles, so those weighing over 10,000 lbs. GVW were excluded. However, manufacturers now produce a number of vehicles, particularly RVs, that are over 10,000 lbs and intended for the general driving public. HB 31 would increase the weight limit for non-business vehicles covered by the Lemon Law to 15,000 lbs. GVW.